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TAGS: [PREL](#) [ETRD](#) [PINR](#) [IZ](#) [IR](#) [GCC](#) [TC](#)

SUBJECT: UAE-IRAN RELATIONS: AN UNEASY CALM

REF: A. ABU DHABI 1008

[B](#). 04 ABU DHABI 3642

[C](#). ABU DHABI 510

Classified By: AMBASSADOR MICHELE J. SISON, REASONS 1.4 (B) AND (D).

[1](#)1. (C) Summary: The UAE and Iran have long had a wary co-existence. While the two countries enjoy robust trade ties and have historical social and cultural links, Iran's nuclear program and the possibility of a clandestine weapons component, interference in Iraq's internal affairs, and continued military occupation of three disputed islands cast a shadow on its political relations with the UAE. In response to the perceived threat, the UAE is reinforcing its military capability to protect its borders, but is also careful not to jeopardize the substantial commercial interests it has with Iran by antagonizing the militarily superior Islamic Republic. President Khalifa is following in the footsteps of his father, the late Sheikh Zayed, who advocated using diplomatic approaches with Iran. We will discuss UAE/Iran economic and commercial relations septel. End Summary.

UAE/Iran: Close Trade and Historical Ties

[1](#)2. (U) Trade and cultural links between the UAE and Iran are significant. There are places in the UAE, such as Sharjah's fishing port, where the only language one hears is Farsi. In Dubai, which acts as a major re-export center for Iran, there are more than 2,000 Iranian companies active in the port. An estimated 250,000 Iranians reside in the UAE, including more than 150,000 in Dubai alone, and many Emiratis belong to the Arab Qawasim tribe which once lived on the Iran and UAE coasts. Commercial ties between Dubai and Iran are expanding: the UAE is Iran's largest non-oil trading partner, and the majority of the UAE exports (and re-exports) to Iran come from Dubai and the northern emirates. According to official statistics, 2003 non-oil trade between the two countries stood at over \$3.3 billion. Although the UAE has not finalized its statistics, officials from the Ministry of Economy and Planning estimate that trade between the UAE and Iran during 2004 grew by 50% from 2003. In contrast to the brisk commerce the UAE enjoys with Iran and despite cultural and social ties that have spanned the Gulf for centuries, UAE-Iran political relations are problematic -- most would say strained.

UAEG: Iran a "Major Threat"

[1](#)3. (C) Iranian intentions in the UAE and in the Gulf as a whole are a grave concern to the Emiratis. Iran is a "major threat" to the UAE, MFA Under Secretary Abdullah Rashid Al Noaimi told us last month. The UAE believes that Iran is determined to develop nuclear weapons and possess an arsenal of long-range missiles, he said. Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed (MbZ) told visiting NATO parliamentarians June 18 that Iran's military presence in the Gulf poses a threat to Gulf trading routes and the Straits of Hormuz. MbZ said he was concerned that the Iranians may have a "hidden, long-term agenda" rooted in their past as a "Persian superpower." The UAE does not believe the Iranian argument that they need nuclear energy for peaceful purposes when Iran has vast oil and gas resources and is burning off as waste enough natural gas to replace the power that would be produced at its nuclear power plants. This was a point Under Secretary of State for Arms Control and International Security John Bolton had made to the UAEG during his visit here in January 2005. MbZ also said he considered the EU-3 initiative to be "very good," but added that he was "skeptical" about the EU's effectiveness in persuading Iran to abandon its nuclear program. He expressed concern that no one was telling Iran what the "red lines" were. The potential threat from Iran partly explains the Emiratis' quest for a stronger military deterrent, including its acquisition of 80 F-16 Block 60 fighter aircraft from the U.S., the first tranche of which were delivered in May.

Countering Iran's Nuclear/Proliferation Threat

[1](#)4. (C) Iran's pursuit of WMD capabilities is another serious concern for the UAE's leadership, and senior UAEG officials

have consistently expressed to us their conviction that Iran is intent on developing nuclear weapons. In his meeting with U/S Bolton last January, Minister of Information Sheikh Abdullah said that all countries must join in applying pressure to Iran and that anything less would not result in a positive outcome (ref C). Sheikh Abdullah also expressed concern that if the U.S. were to refer Iran's case to the UN Security Council, Iran could use its wealth and resources to buy votes in the UN. The UAEG voiced its opposition directly to Hassan Rowhani, Secretary of Iran's Supreme Council for National Security, when he called on President Khalifa June 7 as part of a regional tour to brief Gulf leaders on Iran's talks with the IAEA. For his part, Khalifa stressed the need for all countries to be committed to eliminating all banned weapons and to resort to peaceful negotiations to resolve any existing conflicts as per the UN charter, and expressed hope that Iran would reach an agreement with the EU-3. The Iranians are "bazaaris" who will continue bargaining with the international community on their right to develop a nuclear program "until the end," Al Noaimi opined to Ambassador on June 8. Al Noaimi also told us that a nuclear Iran would be very dangerous and "not acceptable" to the UAE.

15. (S/NF) However, with Iran as a considerable trading partner, the UAEG sustains a delicate balance in maintaining its viable economic interests and halting suspected proliferation from Iran. Significant numbers of Iranian front procurement companies are suspected of operating out of Dubai. The government of Dubai has shut down a number of suspected Iranian front companies and stopped containers that were suspected of being diverted to Iran. In October 2004, the MFA handed over to the Ambassador a list of 28 UAE-based Iranian companies whose activities were suspicious (ref B). Two months ago, the UAEG, acting on an Interpol Red Notice, arrested Dubai-based Iranian Mahmud Seif, who is wanted for attempting to export latest generation Night Vision Goggles from the U.S. to Iran in violation of the U.S. Arms Export Control Act. The Iranian government has been pressuring the UAEG for Seif's release, Al Noaimi told Ambassador June 19, while the USG has been working with the UAEG to have Seif deported to the United States.

16. (S/NF) While these types of actions send a clear message to the Iranians that the UAE will not tolerate Iranian proliferation activities, Dubai Customs continue to face challenges in examining cargo for export to Iran due to difficulties recognizing dual-use technology. However, with the implementation of the U.S. Department of Homeland Security's Container Security Initiative (CSI) in March, Dubai Customs has been noticeably quick to respond when given information about a specific container, company or individual suspected of being involved in proliferation activity. Furthermore, Dubai Customs recently informed Embassy's DHS Attache that it now wanted to search all Iranian containers destined for the U.S. because they had seen a dramatic increase in unmanifested cargo (i.e. smuggling) in containers originating in Iran.

Shared Concerns about Iran's Influence in Iraq

17. (C) Since the end of the Iraq war, the UAE has grown increasingly concerned about Iran's influence in Iraq, its internal affairs and its hegemonic intentions in the Gulf. MbZ told USAF Chief of Staff General John Jumper February 24 that the UAE would support "any Iraqi, Shi'a or Sunni, Muslim or Kurd, who was not under the control of Iran" would be an acceptable Iraqi leader in the eyes of the UAE (ref A). MbZ told the NATO parliamentarians this week that the UAEG is concerned about Iranian involvement in Iraq. He said Iranian funds were flowing into Iraq, and that Iran was influencing the Iraqi Cabinet. Iran also has an influence on Shi'a minorities in other Arab states, he added. The UAE leadership has not publicly denounced Iranian interference in Iraq, and some of our contacts speculate that this goes back to the UAEG's unwillingness to upset the status quo, at least in terms of its economic and commercial interests with Iran. The bottom line for the UAE is that the Gulf does not want Iraq to fall under the influence of Iran leaving the region with "two Irans," a political-military analyst at the UAE Armed Forces' Directorate for Military Intelligence told Pol Chief June 7.

Long-running Dispute over the Islands

18. (C) Another irritant in the political relationship is the 34-year-old dispute over three strategically located islands in the Gulf) Abu Musa and the Greater and Lesser Tunbs. The islands have been under Iranian military occupation since 1971, and most of the UAE nationals living and working on the islands were expelled in 1992. Both countries claim sovereignty over the islands. The UAE raises the islands issue at every major international and regional meeting, including calls for bilateral negotiations that would result in giving territorial sovereignty over the islands to the

UAE, or for a resort to the International Court of Justice. The UAE's claim to the islands is supported by GCC members. Iran has rejected any regional or international mediation or arbitration, saying it is only willing to talk bilaterally with the UAE only to clear up what it calls "misunderstandings." Iranian Foreign Ministry spokesman Hamid Reza Asefi rejected a GCC resolution issued at the foreign ministers' summit about the islands. IRNA quoted Asefi June 12 as saying, "These three islands have been an inseparable part of the Iranian territory and will remain so and allegations made in this regard lack any legal basis." None of our contacts believed that the Iranian presidential election would change Iran's stance on the islands.

Fishing Boat Tit for Tat

9. (C) The diplomatic tension ebbs and flows. In May, the Iranian coast guard seized UAE fishing boats and their crews and accused them of crossing into Iranian waters. Iran detained six UAE fishermen, an Omani, 20 Asian fishermen, and five dhows. Iran freed the fishermen 23 days later, on June 8, after UAE diplomats intervened. During the same period, the UAE had seized two Iranian boats. Although the latest fishing boat incident is over, Al Noaimi told Ambassador that the Iranians acted like "bullies," going as far as emptying the fuel tanks from the dhows before returning them to the UAE.

Limits to UAE Criticism of Iran

10. (S) Officially, MbZ and HbZ, in cooperation with Dubai Crown Prince Sheikh Mohammed bin Rashid in Dubai, make Iran policy. Some of our contacts said they believe that the UAE leadership is not taking Iran's ambitions seriously. Khalifa Bakhit Al Falasi, a former ambassador to Australia and now a reformist and human rights advocate in Dubai, told Pol Chief that he tried in vain in the 1990s to get HbZ to prevent Iran from "gaining a foothold and more influence in the UAE," but the UAEG did nothing. Now, he said, "Iranians are all over. They know what's going on. Their influence is spreading."

11. (C) The Gulf Research Center (GRC), a Dubai-based think tank, believes the government of Iran is seeking to pressure the UAEG to close the center for criticizing Iranian influence in Iraq. "The Iranians are concerned that the GRC's views will be adopted by the UAEG and others, which is happening," GRC president Abdelaziz Sager told Pol Chief. But Al Falasi and others asserted that the UAE's leadership has refrained from taking any action to limit Iran's growing influence within the UAE so as not to jeopardize substantial local commercial interests, particularly in Dubai. Academic Ebtisam Al Kitbi said Dubai's economic and commercial interests "override" its political interests. "They want money. They don't consider the political ramifications." Laheeb Abdul Khaleq, an Iraqi Sunni journalist, opined that if Abu Dhabi were to stop supporting the northern emirates financially, Iran would "fill the gap" and the northern emirates would welcome Iran's aid.

Comment:

12. (C) While the Emiratis have been openly critical of Iran on the islands dispute, and President Khalifa has made clear to Iran's Rowhani the UAE's commitment to nuclear arms nonproliferation, the UAE leadership has yet to utter a word in public about Iran's interference in Iraq's internal affairs. Our assessment is that the UAEG is unlikely to risk jeopardizing its substantial commercial interests with Iran by antagonizing Tehran.

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